

Licensed Child Care in Washington State: 2004

April 2005

Washington State Department of Social and Health Services
Economic Services Administration
Division of Child Care and Early Learning

EXECUTIVE SUMMARY

Background

Washington State's Department of Social and Health Services (DSHS) subsidized part of the child care costs for about 67,000 children per month in state fiscal year 2004. These children were from low-income families with parents who were working, going to school, homeless, or eligible based on some other DSHS program. The number of children receiving DSHS subsidies has tripled in the past decade. About eighty percent of children with DSHS-subsidized child care attend licensed family homes or child care centers.

Federal regulations require that Washington State tie child care subsidy rates to a local market survey of child care market rates conducted at least every two years. To comply with this regulation DSHS conducts a biennial survey of all child care centers and a sample of licensed family home providers. In addition to child care rates, the surveys provide information on the child care industry. This report describes the surveys conducted in the spring of 2004. A total of 1,693 child care centers and 1,560 family home providers were interviewed.

Major Findings

- DSHS subsidy rates in 2004 were based on the 58th percentile of the market rate survey of providers conducted four years earlier. The 2004 market rate survey found that DSHS subsidy rates were the same or greater than that charged for 25 percent of all full-time children in centers (the 25th percentile) and 31 percent of all full-time private pay children in family homes (the 31st percentile).
- Many providers who charge private pay children more than the DSHS subsidy rates accept some subsidized children. If you add the number of subsidized children cared for by providers (regardless of what they charge) to the number of private-pay children cared for by providers charging the same or less than the DSHS rates, then families seeking subsidized child care have access to almost 60 percent of all full-time slots in family homes and 50 percent of all full-time slots in centers.
- The price of child care has increased much faster than inflation in the past fourteen years. From 1990 to 2004 the inflation-adjusted price of care increased 46 percent in centers and 34 percent in homes. That amounts to an annual rise in the price of care—*after accounting for general inflation*—of 2.8 percent in centers and 2.1 percent in homes.
- The proportion of children in licensed care whose care is subsidized by DSHS has risen substantially in recent years. After remaining at about 15 percent from 1990 through 1996, the proportion of children in licensed care subsidized by DSHS rose to 19 percent in 1998, 25 percent in 2000, 32 percent in 2002, and 31 percent in 2004. In the eight years between 1996 and 2004 the proportion of full-time children in licensed family homes subsidized by DSHS rose from 18 percent to 42 percent.

- The number of licensed family homes declined from 8,600 in 1996 to 6,875 in 2004; a decline of 20 percent. The decrease in family homes was greatest in King County—a loss of 727 licensed family homes in eight years for a decline of 34 percent.
- Over the past twelve years, the proportion of children in licensed care that attend licensed family homes has declined. While 39 percent of children in licensed care attended licensed family homes in 1992, only 28 percent of children in licensed care attended licensed family homes in 2004.

General Information

Findings About the Child Care Market

- An estimated 165,680 children in Washington State were in licensed care in the spring of 2004. About seventy percent of these children were in child care centers and the remaining thirty percent were in licensed family homes.
- Licensed providers grossed about \$889 million dollars in 2004 and employed approximately 30,600 people.
- Information from the child care surveys was combined with population data from Washington State's Office of Financial Management to estimate the proportion of children of various ages in licensed care at the time of the child care surveys. Twenty-eight percent of preschoolers (children between 2.5 and 5.5), twenty-three percent of toddlers (children 12 to 29 months old), and ten percent of infants (under 12 months old) and school-age children (over 5.5 years old) were estimated to be in licensed care at the time of the surveys in the spring of 2004.

Findings About Child Care Centers

- The number of children in child care centers grew 40 percent in fourteen years, rising from 85,000 in 1990 to 118,700 in 2004. From 2002 to 2004 the number of children in center care declined slightly from 120,000 to 118,700.
- Almost forty percent of children in child care centers in 2004 were preschoolers; 5 percent were infants.
- The vast majority of centers provide full-time care for preschool age children (70 percent), while only about one-third of centers provide full-time care for infants (34 percent).
- Fifty-six percent of children in centers in 2004 received full-time care.
- The proportion of centers with vacancies rose from 64 percent in 2000 to 78 percent in 2004; the overall vacancy rate, which had declined from 16 percent to 12 percent between 1996 and 1998, rose to 14 percent in 2002 and to 16 percent in 2004.
- At the time of the 2004 survey, pay for teachers at centers averaged \$10.06 per hour. Average real wages for child care workers (wages adjusted for inflation) stalled between 1992 and 1998. Between 1998 and 2002 the average wage for teachers (adjusted for inflation) rose 3.2 percent per year, but wage increases for teachers between 2002 and 2004 have barely kept pace with inflation.

- The 2004 child care center survey asked about the number of individuals that had been hired in the last six months. Approximately 16 percent of teachers and 33 percent of aides had been hired within the last six months.
- In the spring of 2004 only 10 percent of centers opened before 6 in the morning and 7 percent closed at 7 or later in the evening. Four percent of centers were open on the weekends.

Findings About Licensed Family Homes

- After a period of growth in the early 1990s, the number of children in licensed family homes declined from 60,100 in 1994 to 47,000 in 2004, a decline of 22 percent in ten years.
- Forty-four percent of children in licensed family homes in 2004 were preschoolers; 7 percent were infants.
- Most licensed family homes provide full-time child care for preschoolers (81 percent), while over one-quarter of family homes provide full-time care for infants (29 percent).
- Almost sixty percent of children in licensed family homes in 2004 received full-time care.
- Over two-thirds of family homes had been in operation for four years or more.
- Fifty-four percent of family homes in the spring of 2004 had vacancies, a rise from 43 percent in 2000. The 2004 vacancy rate of 20 percent for family homes was an increase in the vacancy rate of 16 percent in 2000.
- The average yearly income of family home providers increased at an annual rate of 7.0 percent in the eight years from 1995 to 2003. Taking inflation into account, the annual rate of increase was 4.6 percent with the inflation-adjusted income of family home providers rising from \$20,816 in 1995 to \$29,722 in 2003. The longer a family home provider had been in business and the more the provider depended on child care as a source of income, the higher the provider's average earnings.
- At the time of the 2004 survey, 70 percent of family homes had liability insurance, a slight decline from two years prior (73 percent in 2002).
- Seventy-one percent of licensed family homes participated in the USDA food program in 2004, a decline from 77 percent in 1998.
- Seventeen percent of licensed family homes opened before 6 in the morning; 10 percent closed at 7 or later in the evening. Twenty-three percent of licensed family homes were open on the weekend.

Findings About DSHS-Subsidized Child Care

- According to DSHS payment records, child care was subsidized for 118,300 children over the course of federal fiscal year 2004. During the time of the 2004 surveys in February through April of 2004, an average of 65,000 children per month had child

care subsidized by DSHS. About 80 percent of these children, or 52,200, were cared for in either a licensed family home or a child care center.

- According to the 2004 child care surveys, an estimated 51,130 children received subsidized child care in either a licensed family home or child care center in the spring of 2004.
- Twenty-nine percent of children in centers and 36 percent of children in family homes were subsidized by DSHS in the spring of 2004.
- At the time of the 2004 surveys, 87 percent of centers and 66 percent of licensed family homes cared for at least one DSHS-subsidized child, unchanged from 2002.
- In 1998, thirty-one percent of centers had more than one-quarter of their children subsidized by DSHS and sixty-five percent of all DSHS-subsidized children attended such centers. Six years later, half of all centers met that criterion and 85 percent of all DSHS-subsidized children attended centers where more than one-quarter of the children in care were subsidized by DSHS.

Special Topics

- Between 2002 and 2004 the percent of providers with access to the Internet rose from 55 to 64 percent for centers and from 73 to 76 percent for family home providers.
- Many providers reported that they had found at least one service provided by Resource and Referral Agencies (R&R) helpful to them in the prior year. Specifically 46 percent of center providers and 58 percent of family home providers found R&R referral services helpful and 57 percent of centers and 69 percent of homes found STARS training by R&R helpful.
- Family home providers worked an average of 58 hours per week at the time of the 2004 surveys, with those caring for DSHS-subsidized children working more hours on average than those not caring for DSHS-subsidized children (61 versus 51 hours).
- With one exception, at least 85 percent of center and family home providers in all regions reported that their licensor generally returned their phone calls within three business days. Only 81 percent of center providers in Region 1 stated that their licensors returned their phone calls within three business days.
- For providers caring for DSHS-subsidized children, about 90 percent say that they always or usually collect parent co-payments and only 4 percent of centers and 8 percent of homes say that they collect co-payments less than half the time.